

## Recording the Budget

## Recording Budgeted Revenues

The LEA's approved budget provides the information for recording the budget in the General Ledger in the budgetary account Estimated Revenue (9810). Each item of estimated revenue should be accounted for separately so that excess revenue or revenue deficiencies may be readily seen.

Computerized accounting systems are capable of handling a large number of accounts and transactions. They therefore may not use the traditional subsidiary ledgers and control accounts that were necessary for a manual accounting system. However, some computerized systems have maintained the structure of subsidiary ledgers to support General Ledger control accounts, and this discussion will assume that a subsidiary ledger is used. (See Procedure 205.)

*Determining values to be entered.* The revenue section of the General Fund budget might look like the following example:

**Revenue**

8010–8099 Revenue Limit Sources	
8011 Principal Apportionment/State Aid—Current Year .....	\$277,528
8041 Secured Roll Taxes .....	345,888
8042 Unsecured Roll Taxes .....	2,700
8100–8299 Federal Revenue	
8110 Maintenance and Operations .....	2,500
8170 Job Training Partnership Act .....	1,000
8300–8599 Other State Revenues	
8331 Gifted and Talented Pupils .....	1,148
8342 Home-to-School Transportation .....	7,500
8600–8799 Other Local Revenues	
8799 Other Transfers In/From All Others .....	<u>3,000</u>
Total Estimated Revenue .....	<u>\$641,264</u>

If a subsidiary ledger is being used, the total of the estimated revenues entered in this ledger must agree with the total of the General Ledger control account, Estimated

Revenues (9810). The subsidiary ledger and the General Ledger are both posted from the same journal entry.

The approved revenue budget is subject to later adjustment as revenue estimates change.

*Preparing the journal entry.* The General Ledger and subsidiary ledger accounts and the amounts for each are listed in the journal entry as a record of the estimated revenue, as has been done in the following example:

## J2

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
7-1-02	9810 Estimated Revenue	\$641,264.00	
	9790 Undesignated/Unappropriated Fund Balance		\$641,264.00
<i>Account</i>	<i>Subsidiary Revenue Ledger</i>		<i>(Budgeted amounts)</i>
8011	State Aid—Current Year .....		\$277,528.00
8041	Secured Roll Taxes .....		345,888.00
8042	Unsecured Roll Taxes .....		2,700.00
8110	Maintenance and Operations .....		2,500.00
8170	Job Training Partnership Act .....		1,000.00
8331	Gifted and Talented Pupils .....		1,148.00
8342	Home-to-School Transportation .....		7,500.00
8799	Other Transfers In/From All Others .....		3,000.00
			<b>\$641,264.00</b>
<b>To record estimated revenue for fiscal year 2002-03 as contained in the official approved budget</b>			

Several things should be noted about the preceding journal entry. First, this is a General Journal entry, just like the one used to open the books for the first time. *This entry, however, also carries the information for posting a subsidiary ledger* (the subsidiary Revenue Ledger).

Next, note that this entry is referred to as simply a journal entry, rather than as a General Journal entry. This reference is usual practice. The term *general* is used only when confusion with other journals may result if it is omitted.

Observe also the arrangement of the journal entry. The General Ledger amounts are carried in the debit and credit columns, respectively. Subsidiary ledger amounts are carried to the right and do not have the balancing feature of debits and credits: The single postings to the individual Revenue Ledger accounts represent the breakdown of the total shown in the estimated revenue (General Ledger) account.

*Posting the General Ledger.* The journal entry for recording the approved budget is posted to the General Ledger in the same manner as the journal entry that originally opened the books, as the following examples illustrate:

Account 9810		Estimated Revenue			
<i>Date</i>	<i>Reference</i>	<i>Debit</i>	<i>Credit</i>	<i>Balance</i>	<i>Dr/Cr</i>
7-1-02	J2	\$641,264.00		\$641,264.00	Dr

Account 9790		Undesignated/Unappropriated Fund Balance			
<i>Date</i>	<i>Reference</i>	<i>Debit</i>	<i>Credit</i>	<i>Balance</i>	<i>Dr/Cr</i>
7-1-02	J1		\$ 92,981.78	\$ 92,981.78	Cr
7-1-02	J2		641,264.00	734,245.78	Cr

*Posting the subsidiary ledger.* The subsidiary Revenue Ledger is posted from the detailed breakdown shown in the journal entry. Each account is posted to show the amounts carried in the journal entry in the “Estimated revenue” and “Estimated to be received” columns.

### Revenue Ledger

Account 8041		Secured Roll Taxes			
<i>Date</i>	<i>Reference</i>	<i>Estimated revenue</i>	<i>Amounts received</i>	<i>Total received to date</i>	<i>Estimated to be received</i>
7-1-02	J2	\$345,888.00			\$345,888.00

Each revenue ledger account is similarly posted.

## Recording Budgeted Expenditures

Expenditure values, like revenue values, are taken from the approved budget, as has been done in the example that follows:

<b>1000</b>	<b>Certificated Salaries</b>	
1100	Teachers' Salaries .....	\$360,000
1200	School Administrators' Salaries .....	24,000
1300	Supervisors' Salaries .....	25,000
1400	Librarians' Salaries .....	2,000
1500	Guidance, Welfare, and Attendance Salaries.....	10,000
1600	Physical and Mental Health Salaries .....	1,500
1700	Superintendents' Salaries .....	10,000
1800	Administrators' Salaries .....	1,000
1900	Other Certificated Salaries .....	1,000
	Total Certificated Salaries .....	\$434,500
<b>2000</b>	<b>Classified Salaries</b>	
2100	Instructional Aides' Salaries .....	\$ 2,000
2200	Administrators' Salaries .....	3,100
2300	Clerical and Other Office Salaries .....	7,000

2400	Maintenance and Operations Salaries.....	36,000
2500	Food Services Salaries .....	5,000
2600	Transportation Salaries .....	5,000
2900	Other Classified Salaries .....	<u>500</u>

Total Classified Salaries ..... \$58,600

### **3000          Employee Benefits**

3100	State Teachers' Retirement System.....	\$11,900
3200	Public Employees' Retirement System.....	2,000
3300	Old Age, Survivors, Disability, and Health Insurance .....	1,500
3400	Health and Welfare Benefits.....	800
3500	State Unemployment Insurance.....	300
3600	Workers' Compensation Insurance .....	<u>700</u>

Total Employee Benefits ..... \$17,200

### **4000          Books and Supplies**

4100	Approved Textbooks and Core Curricular Materials .....	\$ 5,000
4200	Instructional Books Other Than Textbooks .....	3,500
4300	Instructional Materials and Supplies .....	1,500
4400	Noncapitalized equipment .....	1,000
4500	Other Supplies .....	<u>800</u>

Total Books and Supplies..... \$11,800

### **5000          Services and Other Operating Expenditures**

5100	Personal Services of Instructional Consultants, Lecturers, and Others .....	\$ 500
5200	Travel and Conferences .....	300
5300	Dues and Memberships .....	200
5400	Insurance.....	1,000
5500	Utilities and Housekeeping Services .....	5,000
5600	Rentals, Leases, and Repairs .....	4,500
5800	Other Services and Operating Expenditures .....	<u>5,000</u>

Total Services and Other Operating Expenditures..... \$16,500

### **6000          Capital Outlay**

6100	Sites and Improvement of Sites .....	\$ 2,500
6200	Buildings and Improvement of Buildings .....	22,500
6300	Books and Media for New or Expanded Libraries .....	1,500
6400	Equipment .....	<u>7,800</u>

Total Capital Outlay ..... \$34,300

**7000 Other Outgo**

7190	Other Tuition .....	\$ 30,500
	Total Other Outgo.....	\$ 30,500
	Total Budgeted Expenditures .....	<u>\$603,400</u>

As with revenue, each expenditure item should be accounted for separately so that expenditures can be controlled within the various budget classifications. This separate accounting may be accomplished by use of a subsidiary ledger usually known as the Appropriation Ledger. While separate accounts should be maintained for each of the required expenditure classifications, additional subdivisions of these classes may be maintained as separate accounts if needed.

The approved expenditure budget is subject to later adjustment as expenditure estimates change.

*Preparing the journal entry.* This budgeted expenditure total of \$603,400 totals the appropriation to the LEA's programs; the programs provide a classification of expenditure usage, and the objects provide a classification of expenditure source. The procedure is shown in the following example:

**J3**

Date	Account	Debit	Credit
7-1-02	9790 Undesignated/Unappropriated Fund Balance	\$603,400	
	9820 Appropriations		\$603,400

*Account      Subsidiary Appropriation Ledger*

1100	Teachers' Salaries.....	\$360,000
1200	School Administrators' Salaries.....	24,000
1300	Supervisors' Salaries.....	25,000
1400	Librarians' Salaries.....	2,000
1500	Guidance, Welfare, and Attendance Salaries.....	10,000
1600	Physical and Mental Health Salaries.....	1,500
1700	Superintendents' Salaries.....	10,000
1800	Administrators' Salaries .....	1,000
1900	Other Certificated Salaries.....	1,000
2100	Instructional Aides' Salaries.....	2,000
2200	Administrators' Salaries .....	3,100
2300	Clerical and Other Office Salaries.....	7,000
2400	Maintenance and Operations Salaries.....	36,000
2500	Food Services Salaries .....	5,000
2600	Transportation Salaries.....	5,000
2900	Other Classified Salaries .....	500
3100	State Teachers' Retirement System.....	11,900
3200	Public Employees' Retirement System.....	2,000
3300	Old Age, Survivors, Disability, and Health Insurance.....	1,500
3400	Health and Welfare Benefits .....	800
3500	State Unemployment Insurance .....	300
3600	Workers' Compensation Insurance.....	700
4100	Approved Textbooks and Core Curricular Materials .....	5,000
4200	Instructional Books Other Than Textbooks .....	3,500
4300	Instructional Materials and Supplies .....	1,500

4400	Noncapitalized equipment .....	1,000
4500	Other Supplies .....	800
5100	Personal Services of Consultants, Lecturers, and Others.....	500
5200	Travel and Conferences .....	300
5300	Dues and Memberships .....	200
5400	Insurance.....	1,000
5500	Utilities and Housekeeping Services .....	5,000
5600	Rentals, Leases, and Repairs.....	4,500
5800	Other Services and Operating Expenditures.....	5,000
6100	Sites and Improvement of Sites .....	2,500
6200	Buildings and Improvement of Buildings .....	22,500
6300	Books and Media for New or Expanded Libraries .....	1,500
6400	Equipment.....	7,800
7190	Other Tuition.....	30,500
		<b>\$603,400</b>

The preceding journal entry is similar to the one recording estimated revenue, except that the total of appropriations is debited to the fund balance account. The total appropriations to all accounts in the Appropriation Ledger (Expenditure Ledger) must agree with the balance in the General Ledger control account, Appropriations (9820).

*Posting the General Ledger.* The journal entry for recording the approved appropriations is posted to the General Ledger in the same manner as the original opening entry and the entry recording estimated revenue, as has been done in these examples:

Account 9790		Undesignated/Unappropriated Fund Balance			
Date	Reference	Debit	Credit	Balance	Dr/Cr
7-1-02	J1		\$92,981.78	\$92,981.78	Cr
	J2		\$641,264.00	\$734,245.78	Cr
	J3	\$603,400.00		130,845.78	Cr

Account 9820		Appropriations			
Date	Reference	Debit	Credit	Balance	Dr/Cr
7-1-02	J3		\$603,400.00	\$603,400.00	Cr

Note that the debit to the fund balance account has been subtracted from the previous credit balance to produce a new credit balance of \$130,845.78, the remaining Undesignated/Unappropriated Fund Balance after the estimated revenue and budgeted appropriations have been posted.

*Posting the Appropriation Ledger.* The subsidiary Appropriation Ledger is posted from the journal entry in a manner similar to that used for posting estimated revenue, as shown in this example:

### Appropriation Ledger

Account 1100		Teachers' Salaries				
Date	Reference	Appropriation	Encumbrances	Encumbered to Date	Expended to Date	Unencumbered Balance
7-1-02	J3	\$360,000.00				\$360,000.00

The preceding form differs from the Revenue Ledger form because it must carry space for entering encumbrances in addition to expenditures. The amount appropriated for this account has been entered in the “Appropriation” column and again in the “Unencumbered Balance” column. As amounts are later entered in the “Encumbrances” column or “Expended” column, the “Unencumbered Balance” column will be adjusted accordingly.

Many computerized accounting systems have separate modules for the budget ledger, the General Ledger for actual transactions, and an encumbrance ledger. Each of these modules uses the same expenditure accounts, which include multiple fields, such as the seven SACS fields. Reports can be generated to show the detailed transactions that have been made to the budget or to the General Ledger. These reports can be generated by any of the fields, such as a budget report by resource, by function, or by object.

## Recording Budgeted Reserves

Reserves are portions of the fund balance which are set aside to indicate that (1) part of the fund balance is not available for expenditure; or (2) a portion of the fund balance is legally segregated for a specific future use. The Reserve for Nonexpendable Assets (account 9610) is set up to separate that portion of the fund balance (represented by Stores, Prepaid Expenditures, and the Revolving Cash Fund) which is not available for appropriation.

When part of the fund balance is reserved, the remainder is the “Unreserved Fund Balance” (accounts 9710–9790). This separation of the fund balance into the reserved and unreserved portions is important to LEAs because it provides information on the funds available to cover unanticipated expenditures.

The budget columns on the approved budget show the LEA’s projected ending fund balance and the breakdown of this balance into the reserved and unreserved portions. This information is used to prepare the journal entry to reserve portions of the projected ending balance. Assuming that the budget shows reserves of \$500 for the Revolving Cash Fund and \$8,900 for Stores, the following journal entry will be prepared:

### J4

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
7-1-02	9790 Undesignated/Unappropriated Fund Balance	\$9,400.00	
	9610 Reserve for Stores		\$9,400.00
To record the Reserve for Nonexpendable Assets, fiscal year 2002-03, as contained in the approved budget			

The journal entry is then posted to the General Ledger in the usual manner.

Account 9790		Undesignated/Unappropriated Fund Balance			
<i>Date</i>	<i>Reference</i>	<i>Debit</i>	<i>Credit</i>	<i>Balance</i>	<i>Dr/Cr</i>
7-1-02	J1		\$92,981.78	\$92,981.78	Cr
7-1-02	J2		\$641,264.00	\$734,245.78	Cr
7-1-02	J3	\$603,400.00		\$130,845.78	Cr
7-1-02	J4	9,400.00		121,445.78	Cr

  

Account 9612		Reserve for Stores			
<i>Date</i>	<i>Reference</i>	<i>Debit</i>	<i>Credit</i>	<i>Balance</i>	<i>Dr/Cr</i>
7-1-02	J4		\$9,400.00	\$9,400.00	Cr

## Checking the Trial Balance

At this point the General Ledger has been opened, and the approved budget has been recorded. A trial balance will show the net results of the entries made thus far. The trial balance is a list of the General Ledger accounts and the debit or credit balance for each account. The total debits and the total credits must be equal, indicating a balanced General Ledger. The trial balance of the General Ledger at this point looks like this:

<i>Account</i>	<i>Debit</i>	<i>Credit</i>
9110 Cash in County Treasury.....	\$100,042.67	
9130 Revolving Cash Account.....	500.00	
9140 Cash Collections Awaiting Deposit.....	24.17	
9160 Accounts Receivable .....	1,597.18	
9170 Due from Other Funds .....	694.39	
9510 Accounts Payable .....		\$9,763.45
9520 Due to Other Funds .....		113.18
9610 Reserve for Nonexpendable Assets .....		9,400.00
9790 Undesignated/Unappropriated Fund Balance .....		121,445.78
9810 Estimated Revenue.....	641,264.00	
9820 Appropriations.....		603,400.00
	<u>\$744,122.41</u>	<u>\$744,122.41</u>

The appropriations, having been posted to both the program ledgers and to the subsidiary appropriation ledgers (objects of expenditure), should be checked to ensure that the two are equal.